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In the Supreme Court of the United States

OCTOBER TERM, 1964

No. 210

BERNARD E. BERLENBACH also called BARNEY BERLENBACH and doing business under the fictitious name of SKI-FREE COMPANY,

Petitioner,

vs.

ANDERSON AND THOMPSON SKI CO., INC., a corporation,

Respondent.

Petition for a Writ of Certiorari

To the United States Court of Appeals
for the Ninth Circuit

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BERNARD E. BERLENBACH also called BARNEY BERLENBACH and doing business under the fictitious name of SKI-FREE COMPANY,

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vs.

ANDERSON AND THOMPSON SKI CO., INC., a corporation,

Respondent.

Petition for a Writ of Certiorari

To the United States Court of Appeals for the Ninth Circuit

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in the above-entitled case on March 25, 1964, a copy of said judgment being appended hereto as Appendix A.

CITATIONS TO OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit is reported at 329 F.2nd 782 and at 141 USPQ 84, copy of said opinion being appended hereto as Appendix B.

The District Court did not render a written opinion. The unreported findings of fact, conclusions of law and judgment of the District Court appear in the record on appeal in the Court of Appeals at pages 53 to 59 of Volume One of the Transcript of Record filed in this Court.

JURISDICTION

The date of the judgment of the Court of Appeals is March 25, 1964 and said judgment was entered on March 25, 1964. A timely petition for rehearing was filed and was denied on May 1, 1964.

Jurisdiction is conferred upon this Court to review the Judgment of the Court of Appeals by writ of certiorari by United States Code, Title 28, Section 1254 (1).

QUESTIONS PRESENTED

1. Whether, in the light of certain Supreme Court cases [*Standard Oil Co. of California v. United States*, 337 US 293, 69 S.Ct. 1051, 93 L.Ed. 1371 (1949); *Tampa Electric Co. v. Nashville Coal Co.*, 365 US 320, 81 S.Ct. 623, 5 L.Ed. 2nd 580 (1961); and *White Motor Co. v. U.S.* 327 US 253, 83 S.Ct. 696, 9 L.Ed. 2nd 738 (1963)]—which consistently hold that a contract between a manufacturer and a dealer or distributor, which restrains the dealer or distributor from handling of goods of a competitor, is not a *per se* violation of the anti-trust laws but must be proved such at a trial—it was error for the Court of Appeals to hold that such a restraint is a *per se* patent misuse in a patent infringement

suit brought by a manufacturer and to affirm the granting of a motion for summary judgment holding that there was misuse.

2. Whether this Court should resolve a conflict between the holding of the Court of Appeals for the Ninth Circuit in this case and the holding of the Court of Appeals for the Sixth Circuit in another recent case respecting patent misuse arising out of a distributorship contract which restrains a distributor from handling the goods of a competitor; such conflict being that the Court of Appeals for the Ninth Circuit in the present case held that such a contract is a patent misuse *per se* and that the guidelines of *Tampa Electric Company v. Nashville Coal Co.*, 365 US 320, among other cases, is not controlling whereas in *Preformed Lined Products Co. v. Fanner Manufacturing Co.*, 328 F.2nd 265, the Court of Appeals for the Sixth Circuit held that such a contract is subject to the guidelines of the *Tampa* case.

3. Whether the Court of Appeals has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of the Supreme Court's power of supervision, in that Petitioner has been denied due process of law under the Fifth Amendment of the Constitution of the United States because one of the issues determined adversely to Petitioner by the District Court was determined in a summary proceeding (a motion for summary judgment) without the benefit of a trial; the issue so determined was the interpretation of a provision in a contract which is ambiguous on its face and concerning which a factual issue of estoppel was raised by Petitioner; and the Court of Appeals has refused to rule one way or the other on such summary determination, thereby leaving this matter adjudicated adversely to Petitioner without a trial.

CONSTITUTIONAL PROVISION INVOLVED

The due process clause of the Fifth Amendment to the Constitution of the United States is involved. Insofar as it is pertinent, it reads as follows:

> "No person shall . . . be deprived of life, liberty, or property, without due process of law . . ."

Specifically, it is the deprivation of a property right (the right to grant licenses under a patent) by reason of a summary adjudication (a motion for summary judgment) without a trial, that presents the Constitutional issue.

STATUTORY PROVISIONS INVOLVED

No statutory provisions as such are involved. This case turns upon the Constitutional issue raised in Question No. 3 supra and upon an interpretation of decisions of this Court and of the various Courts of Appeals.

STATEMENT OF THE CASE

Suit was brought by Petitioner (plaintiff-appellant below) for infringement of his patent No. 2,698,757 for a safety-type ski binding (i.e., a binding used to clamp a boot to a ski, but which will release the ski in case of an accident). Jurisdiction of the District Court was based on 28 USC 1400(b) and upon Rule 56 of the Federal Rules of Civil Procedure; jurisdiction of the Court of Appeals was based on 28 USC 1291.

The facts involved are set forth in the opinion of the Court of Appeals; therefore references to the certified copy of the record need be very few.

Suit was brought against the Respondent (defendant-appellee below) but was settled in 1959 by a consent decree and a license agreement. The consent decree held the patent

valid and infringed and enjoined further infringement by Respondent but the license permitted continued manufacture and sale of the articles by Respondent conditioned upon the payment of royalties. Subsequently, Petitioner asserted breach of the license agreement and cancellation thereof and brought a motion to hold Respondent in contempt for asserted continued infringement by Respondent. This contempt motion brought on a motion by Respondent for summary judgment and to vacate the consent decree and to set aside the license agreement, such motion being predicated upon the ground that, unbeknownst to Respondent, in 1952 Petitioner had entered into a Sales Agreement with a third party (Northland Ski Manufacturing Co., hereinafter referred to as "Northland") appointing Northland the exclusive distributor of Petitioner. The pertinent provisions of that Sales Agreement are set forth in footnote 1 to the opinion of the Court of Appeals in Appendix B. At issue below and involved in this Petition is paragraph 1 of the agreement which gives Northland (referred to as Second Party) "the exclusive right to sell and distribute said safety-type ski binding" manufactured by Petitioner (referred to as First Party) and which provides:

> "First Party [Petitioner] agrees to take all steps necessary to patent and otherwise safeguard against any encroachment upon the trade name or design of said binding".

Also involved is paragraph 4 which provides that:

> ". . . Second Party [Northland] shall not manufacture or distribute in the United States or Canada any other safety type or automatic releasing ski binding other than that manufactured by First Party [Petitioner]".

It was the position of Respondent in the District Court that paragraph 1 of this Sales Agreement constituted Northland an exclusive licensee under the patent in suit and, therefore, it precluded Petitioner from granting a subsequent license to anyone else, including Respondent. Therefore, it was contended, the license agreement granted by Petitioner to Respondent in settlement of the infringement suit was void and the consent decree must fall with it because it was part of the same transaction.

In the District Court it was argued by Petitioner that, at best, paragraph 1 of the Sales Agreement with Northland is ambiguous, (it nowhere states, or even clearly implies, that an exclusive license was intended) and that factual issues of estoppel including the fact that Northland had notice of the settlement negotiations between Petitioner and Respondent but took no steps to prevent consummation of the license agreement nor did Northland warn Respondent of any adverse rights. (Transcript of Record filed in this Court, Vol. One, pages 49A-49I.) No serious effort was made by Respondent to counter these contentions of Petitioner that there are material questions of fact. Nevertheless, the District Court granted summary judgment holding, in part, that the 1952 Sales Agreement between Petitioner and Northland was, as a matter of law, an exclusive license agreement which precludes Petitioner from granting a license to any other person. (Conclusion of Law No. (1), appearing at page 57 of Volume One of the Transcript of Record on file in this Court.)

The Court of Appeals (see last paragraph of its opinion), having found another reason (patent misuse) to affirm the District Court, refused to rule on this aspect of the case. The Court of Appeals denied a petition for rehearing which was based, in part, upon the fact that the Court failed to

rule upon this point (Transcript of Record, Vol. One, page 90).

It was also the position of Respondent in the summary proceeding in the District Court that paragraph 4 of the Sales Agreement between Petitioner and Northland constitutes patent misuse *per se* (i.e., apart from other facts and circumstances) because it restrains Northland from manufacturing or distributing safety-type or automatic releasing ski bindings other than those manufactured by Petitioner. It was contended by Petitioner in both Courts below that, under the law, such a restraint is not a misuse *per se* but can be a misuse only in the light of surrounding circumstances. Both Courts ruled adversely to Petitioner on this point, holding that paragraph 4 of the Sales Agreement constitutes misuse *per se* and sustaining Respondent's motion for summary judgment.

REASONS FOR GRANTING THE WRIT

(1) The decision of the Court of Appeals will have a disastrous effect upon the ownership of patents by small companies and will stack the odds more than ever in favor of large companies who own patents.

This decision holds that if a manufacturer (even a small manufacturer, who must do so in order to survive) appoints an exclusive distributor and requires the distributor to refrain from handling the goods of a competitor, the manufacturer may not enforce his patents.

As delineated and foreshadowed by the dissenting view of Mr. Justice Douglas (now the majority view of this Court, see the *Tampa* and *White Motor* cases, infra) in *Standard Oil Co. v. U.S.*, 337 U.S. 293, 320, 321, 69 S.Ct. 1051, 1067, 93 L.Ed. 1371, 1389, 1390 (1949), if manufacturers are told that exclusive dealership arrangements with independent

dealers are unlawful *per se*, then the larger manufacturers who are financially able to do so can and will avoid the difficulty by abolishing their independent dealerships and setting up captive sales organizations; but small manufacturers who cannot afford to do this will have to go out of business or continue to sell through dealers who are free to sell competitors' goods. Both small manufacturers such as Petitioner here, and independent dealers will suffer.

What the Court of Appeals tells the patentee is this: If you are big enough to hire your own salesmen, you can avoid the impact of our decision because you can lawfully forbid your own employees to sell competitors' goods; but if you are too small to do this, and must appoint independent dealers, our decision cannot be avoided.

(2) The decision of the Court of Appeals in this case conflicts with a recent decision of the Court of Appeals for the Sixth Circuit (*Preformed Line Products Co. v. Fanner Manufacturing Co.*, 328 F.2d 265, 6th Cir., 1964) with regard to the applicability of the *Tampa* case to patent misuse.

In the present case the Court of Appeals has held that it is bound by *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488, 62 S.Ct. 402, 86 L.Ed. 363 (1942), which held that a tie-in of patented with unpatented goods is patent misuse *per se* and does not require proof of damage; and that more recent Supreme Court anti-trust cases, including *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 81 S.Ct. 623, 5 L.Ed., 2nd 580 (1961), are not controlling. See more particularly the opinion of the Court of Appeals at 329 F.2d page 784 and footnote 2 on the same page of the report (page 6 of Appendix B). In the *Preformed* case the Court of Appeals for the Sixth Circuit dealt specifically with patent misuse arising out of an exclusive

dealing arrangement,[1] and held that such arrangement is subject to the guidelines established by this Court in the *Tampa* case. See 328 F.2d at page 277, where the Court of Appeals for the Sixth Circuit said:

> "Next we reach the question of exclusive dealing arrangement. The Supreme Court has set guidelines to demonstrate when an exclusive dealing arrangement violates the anti-trust laws. . . ."

Following this is a lengthy quotation from the *Tampa* case and an application of its "guidelines" to the question of exclusive dealing arrangement.

Thus, the Ninth Circuit has rejected and the Sixth Circuit has adopted the anti-trust guidelines of *Tampa* in a patent misuse situation.

(3) In holding that an exclusive dealing arrangement is patent misuse *per se*, the Court of Appeals for the Ninth Circuit has gone much further than this Court and than any other Court of Appeals; it has greatly extended the rule of the *Morton Salt* case; and it has gone counter to the spirit of the *Tampa* and *White Motor* cases.

The Court of Appeals relied upon *National Lockwasher Co. v. Garrett Co.*, 137 F.2d 255, 3rd Cir., 1943; *McCullough v. Kammerer Corp.*, 166 F.2d 759, 9th Cir., 1948 and *F. C. Russell Co. v. Consumers Insulation Co.*, 226 F.2d 373, 3rd Cir. 1955. But in *National Lockwasher* and *McCullough* a patent license (not an exclusive dealership arrangement such as involved here) was at issue, and the patent licenses

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1. Not to be confused with another aspect of the misuse question concerning a tie-in of patented with unpatented goods (which is not involved in the present case) and which is discussed separately from the question of exclusive dealing arrangements but under the same general heading, "Misuse of Patent No. 4". The separate discussion of exclusive dealing arrangement commences at 265 F.2d 277, fourth paragraph.

there involved restrained the licensees from handling unpatented goods as a condition of obtaining a license to manufacture the patented goods—a clear extension of the patent monopoly. In *F. C. Russell* an exclusive dealership arrangement was held to be misuse but only after a trial and after proof of dominance and control (which are not proved or even seriously suggested in the present case).

The Court of Appeals also relied upon *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488, 62 S.Ct. 402, 86 L.Ed. 363 (1942). But that case involved a tie-in of patented with unpatented goods, which is not involved here.

In the more recent *Tampa* and *White Motor* cases (*Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 81 S.Ct. 623, 5 L.Ed., 2nd 580 and *White Motor Co. v. U.S.*, 372 U.S. 253, 83 S.Ct. 696, 9 L.Ed. 2nd 738), this Court has held as follows in an anti-trust context: In *Tampa*, that an exclusive dealership arrangement which prevents a customer from purchasing the goods of a competitor is not wrongful *per se;* and in *White Motor*, that restraints of the same general character (restraints upon territories in which and classes of customers to whom dealers might sell), may be either:

> (1) "too dangerous to sanction or"
>
> (2) "allowable protections against aggressive competitors or the only practicable means a small company has for breaking into or staying in business" (372 U.S. at 702).

In *Tampa* and more particularly in *White Motor*, the Supreme Court has drawn a line between certain types of restraint (tie-ins of patented with unpatented goods, price fixing, group boycotts, agreements among competitors to divide markets) which are deemed *per se* unlawful because they lack any redeeming feature, and other types of

restraint (agreements between a manufacturer and his distributor, dealer or customer restraining the latter from handling goods of a competitor, selling outside a specified territory or selling to certain classes of customers). This second, vertical type of restraint is recognized as having the potential for good or for bad depending upon the facts, and as not being a *per se* violation. It was for these reasons that in both *Tampa* and *White Motor* the Supreme Court reversed a summary judgment. The same potentially good—potentially bad, non-*per se* type of restraint is involved in the present case.

The distinction drawn by the Supreme Court in *Tampa* and *White Motor* is in the interest of promoting small enterprise and of avoiding a rigid, heavy-handed application of the *per se* rule to all types of restraint. These views recognize that a *per se* rule as applied to certain restraints between a manufacturer and his dealer can be readily circumvented by a large company which is able to set up its own captive sales organization, but not by a small company which is unable to do so. This Court should apply this wholesome rule and distinction to patent litigation as well as to anti-trust litigation, in view of the fact that the same dire results (further concentration of power in large enterprises, further weakening of small enterprises) will flow from a rigid application of the *per se* rule in patent misuse situations as in anti-trust situations.

(4) This Court should decide whether, for there to be a *per se* patent misuse, there must be conduct which is condemned as inherently wrongful. This Court has held in *White Motor* and *Tampa* that the conduct involved here is not inherently wrongful, but the Court of Appeals in the present case has held, in effect, that the presence or absence of wrongful conduct is irrelevant in a patent infringement

suit; and the Court of Appeals in so doing has stripped Petitioner of the protection of a consent decree and the benefits of a license agreement, and has ordered restitution of substantial royalties paid by Respondent to Petitioner (See Transcript of Record, Vol. one, page 59)

(5) On the issue of the meaning of paragraph 1 of the 1952 Sales Agreement between Petitioner and Northland (as to whether it constitutes an exclusive license which precludes Petitioner from licensing anyone else), Petitioner has been deprived of the right to a trial to determine the intent of the parties to the agreement and to determine whether there is an estoppel against Northland to contest the validity of the license to Respondent. The language of paragraph 4 is not so clear that it can be said, as a matter of law, that Petitioner and Northland intended an exclusive license; and no serious effort has been made by Respondent to dispel this doubt or the doubt raised by the issue of estoppel arising out of the fact that Northland knew of, but never objected to, the license negotiations between Petitioner and Respondent.

It is rudimentary that, if there is a material issue of fact, summary judgment must be denied. Rule 56 FRCP, and the *White Motor* and *Tampa* cases, supra. See also *Fidelity & Deposit Co. v. U.S.*, 187 US 315, 319, 320 23 S.Ct. 120, 122, 47 L.Ed. 194, 197, 198 (1902); *Associated Press v. U.S.*, 326 U.S. 1, 5, 6, 65 S.Ct. 1416, 1417, 1418, 89 L.Ed. 2013, 2022, (1944). See also 6 Moores Federal Practice, 2nd Ed., page 2236 (Sec. 56.17 [43]) and *Rolle Manufacturing Co. v. Marco Chemicals*, 92 F.Supp. 218, 219, D.C., 3rd Dist., New Jersey (1950) on the point of the inappropriateness of summary judgment regarding interpretations of ambiguous contracts.

(6) It is unquestioned, under the Seventh Amendment to the Constitution of the United States, that the right to a

trial by jury cannot be taken away by a motion for summary judgment. *Fidelity & Deposit Co. v. U.S.*, 187 U.S. 315, 319, 320, 23 S.Ct. 120, 122, 47 L.Ed. 194, 197, 198 (1902). The right to a trial by jury is not claimed in the present case but the right to a court trial of the issues determined below has been demanded. This Court should determine whether deprival of Petitioner's right to a court trial, including the calling of witnesses by Petitioner and cross-examination of witnesses called by Respondent, is a violation of the due process clause of the Fifth Amendment of the Constitution of the United States. Certain authorities so indicate, *Ackermann v. U.S.*, 178 F.2d 983 (5th Cir., 1949), affirmed by this Court but without discussion of this point at 340 U.S. 193, 71 S.Ct. 209, 95 L.Ed. 207 and cited with approval by Corpus Juris Secundum, vol. 16A, page 830, section 624. The Court of Appeals for the Fifth Circuit said at 178 F.2nd 985 in the *Ackermann* case:

> "The right of a litigant to a trial in accordance with forms of law, and with an opportunity to present his claim or defense, if he desires to do so, is a vital part of due process."

That right has been denied Petitioner in this case, certainly with respect to the status of the Sales Agreement as a license, and also with respect to the misuse issue if this Court agrees that paragraph 4 thereof is not misuse *per se*. It should be noted that the status of the Sales Agreement as a license is not moot even though the misuse defense is sustained, because Petitioner has the right to purge himself of misuse (*B.B. Chemical Co. v. Ellis*, 314 U.S. 495, 498, 62 S.Ct. 406, 408, 86 L.Ed. 367, 370 (1942), after which the right to grant licenses is a valuable property right.

CONCLUSION

It is respectfully submitted that important issues are presented respecting the administration of the patent laws, the relevance of recent anti-trust case law to the patent law, a Constitutional question regarding the right to a trial of disputed issues, and a clear conflict between two Circuit Courts of Appeal; and that such issues justify the granting of the writ.

Dated, San Francisco, California
June 18, 1964

Respectfully submitted,

EDWARD B. GREGG
Counsel for Petitioner

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of Counsel

(Appendices A and B Follow)

Appendix A

United States Court of Appeals
for the Ninth Circuit

No. 18740

BERNARD E. BERLENBACH, also called BARNEY BERLENBACH, and doing business under the fictitious name of SKI-FREE COMPANY,
Appellant,

vs.

ANDERSON AND THOMPSON SKI CO., INC., a corporation,
Appellee.

JUDGMENT

APPEAL from the United States District Court for the Western District of Washington, Northern Division.

THIS CAUSE came on to be heard on the Transcript of the Record from the United States District Court for the Western District of Washington, Northern Div. and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is affirmed.

Filed and entered March 25, 1964

Appendix B

United States Court of Appeals
for the Ninth Circuit

No. 18,740

BERNARD E. BERLENBACH, also called BARNEY BERLENBACH, and doing business under the fictitious name of SKI-FREE COMPANY,
Appellant,

vs.

ANDERSON AND THOMPSON SKI CO., INC., a corporation,
Appellee.

[March 25, 1964]

On Appeal from the United States District Court for the Western District of Washington, Northern Division

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Before: ORR, JERTBERG and BROWNING, Circuit Judges.

JERTBERG, Circuit Judge:

This action was commenced in November of 1957 by the filing of a complaint, by appellant against appellee, charging infringement of appellant's patent No. 2,698,757 for safety binding for ski runners, and unfair competition.

Appellant's application for patent was filed July 5, 1949, and the patent was issued on January 4, 1955.

On June 12, 1959 the District Court entered a consent decree dismissing the unfair competition action and holding

that appellant's patent was valid and infringed by appellee, and permanently enjoining appellee from further infringement. Consent to said decree was given by the parties pursuant to an agreement dated April 28, 1959, between them whereby appellant gave appellee a "non-exclusive license to manufacture, use and sell safety bindings for ski runners under said patent for the full term of said patent," and agreed to accept from appellee a sum certain and royalties.

Subsequently, in 1961, appellant gave notice to appellee of an asserted breach of the license agreement (failure to pay royalties; failure to account; and unconsented to manufacture and sale of infringing devices) and of revocation of the license. Thereafter, appellant filed a motion to hold appellee in contempt of the consent decree. In response to this motion, appellee filed a motion for summary judgment, a motion to vacate the consent decree, and a motion to file an answer and counterclaims to the original complaint. After a hearing the district court granted all of appellee's motions.

The district court found that on April 7, 1952, while appellant's patent application was pending, appellant entered into a sales agreement with Northland Ski Manufacturing Company;[1] that as of the time of the hearing on the motions,

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[1] "WHEREAS, First Party is presently manufacturing a safety type of automatic releasing ski binding known as SKI FREE SAFETY SKI BINDING, and

"WHEREAS, Second Party is desirous of buying and distributing said ski binding throughout the United States and Canada, the parties hereto agree as follows:

"1. For the duration of this agreement Second Party agrees to buy and First Party agrees that Second Party shall have the exclusive right to sell and distribute said safety ski binding, together with any improvement that may be added thereto by First Party with the approval of Second Party throughout the United States and Canada. First Party agrees to take all steps necessary

the Northland agreement had not been modified and was still in effect; that no part of the Northland agreement was viewed by appellee prior to August 4, 1961; and that appellant entered into the settlement and license agreement with appellant in good faith believing that appellant had the right to grant appellee a non-exclusive license under the patent. The court concluded that the Northland agreement constituted a license under appellant's patent; that since the Northland agreement was still in effect on April 28, 1959, appellant did not and does not have the right to license appellee under the patent to manufacture, use and sell ski bindings; that paragraph 4 of the Northland agreement constitutes misuse of appellant's patent and because of said misuse the original complaint on file in the action should be dismissed.

Appellant here contends that the Northland agreement on its face does not constitute an exclusive license; that it is at least ambiguous so that resort must be had to facts and circumstances outside the four corners of the instrument and that therefore summary judgment was improperly granted; that appellee is estopped to deny the validity of its license agreement with appellant; that the district court erred in granting summary judgment on the ground of patent misuse in the absence of proof of certain indicia of restraint, such as the position of the parties in the industry, the connection between the offending contract pro-

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to patent and otherwise safeguard against any encroachment upon the trade name or design of said binding.

* * * *

"4. It is understood and agreed that during the term of this agreement, or any extension thereof, Second Party shall not manufacture or distribute in the United States and Canada any other safety type or automatic releasing ski binding other than that manufactured by First Party, together with any improvements developed by First Party and approved by Second Party."

vision and the patent in suit, and whether the patentee ever enforced the offending clause; and that in any event patent misuse does not bar an infringement suit unless the patentee's conduct is such as would constitute a violation of section 3 of the Clayton Act, and therefore the court erred in granting summary judgment without proof that the effect of the Northland agreement may be to "substantially lessen competition or tend to create a monopoly in any line of commerce." We will discuss these contentions in reverse order for convenience.

In a series of cases involving the licensing of patents, the Supreme Court held that clauses which tie-in the exclusive sales of non-patented items with patented items are contrary to public policy for the reason that such tie-in agreements extend the patent monopoly beyond the scope permitted by the Constitution and the Congress. In the *United States v. Univis Lens Co., Inc.*, 316 U.S. 241 (1942) the court said, "the method by which the monopoly is sought to be extended is immaterial."

On the strength of these cases, and the language last quoted, the court in *Lockwasher Co. v. George K. Garrett Co.*, 137 F.2d 255 (3rd Cir. 1943), held that a clause prohibiting a licensee from selling articles in competition with the patented articles likewise constitutes patent misuse which bars the patentee from maintaining a patent suit. This circuit approved and followed the *Lockwasher* case in *McCullough v. Kammerer Corp.*, 166 F.2d 759 (9th Cir. 1948). The case of *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488 (1942) specifically rejected the argument that patent misuse must be of such gravity as to violate the Clayton Act in order to bar relief. The court said at 490:

> "The Clayton Act authorizes those injured by violations tending to monopoly to maintain suit for treble

damages and for an injunction in appropriate cases. 15 U.S.C. §§ 1, 2, 14, 15, 26. But the present suit is for infringement of a patent. The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article."

In view of the history and policy of the defense of patent misuse we find no merit in appellant's contentions that the proof of substantial lessening of competition is a prerequisite to finding patent misuse. See *Park-In Theatres v. Paramount-Richards Theatres*, 90 F. Supp. 730 (D.Del. 1950), aff'd 185 F.2d 407 (3rd Cir. 1950); and *Waco-Porter Corp. v. Tubular Structures Corp. of America*, 222 F.Supp. 332 (S.D.Cal. 1963). Neither do we feel that the cases cited in the margin[2] overrule the *Morton Salt* case, as appellant suggests.

The *Morton Salt* case contains the following language at page 493:

"Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon pursuading the public of the validity of the patent, which the infringement suit is intended to establish. Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has

[2] *Standard Oil Co. of California v. United States*, 337 U.S. 293 (1949); *White Motor Company v. United States*, 372 U.S. 253 (1963); *Tampa Electric Company v. Nashville Coal Co.*, 365 U.S. 320 (1961).

been abandoned and that the consequences of the misuse of the patent have been dissipated."

Appellant argues that he will prove, if permitted to, that he never enforced paragraph 4 of the Northland agreement. He contends that non-enforcement of the provision is tantamount to abandonment of the improper practice and dissipation of its consequences within the meaning of the language just quoted. If this is not an issue of "material" fact, it is of no avail to appellant's efforts to reverse the summary judgment. As we view the present state of the law, the question of enforcement is immaterial. In *F. C. Russell Co. v. Consumers Insulation Co.*, 226 F.2d 373 (3rd Cir. 1955) a case involving a manufacturer's exclusive dealership contract containing a clause such as paragraph 4 of the Northland agreement, the court said at page 376:

> "Russell attempts to assert a number of defenses to the foregoing. It contends that the real test is whether or not it has enforced or attempted to enforce the invalid provisions of its sales agreements to which we have referred. *Ergo*, says Russell, there is no showing that it has gone beyond the purpose and limits of the protection of the patent. It relies in large part on the March 31, 1955 report of 'The Attorney General's National Committee to Study the Anti-Trust Laws', which commented specifically on Russell's case in the Seventh Circuit Court of Appeals, cited above. The comments in pertinent part are set out in the footnote. [Footnote 3 omitted].
>
> "Russell insists that it has not attempted illegally to extend the scope of its patent monopoly. But here is a field of competitive selling in which the holder of a patent by way of agreements, at least related to a

patent monopoly, has given itself the power to control both distributors and dealers if it wishes to do so. The inchoate threat which these circumstances engender hangs in the air and we may doubt that the threat is without its effect in a highly competitive market. We cannot agree with the Attorney General's Committee, distinguished as its membership is, when the Committee says in commenting on Russell v. Comfort, that 'there was nothing to indicate that * * * [the patent] had any practical relationship with the exclusive agreement.' There is in fact a relationship and it seems to us to be a very practical one, for it may not be assumed that the contracts and the patent came into juxtaposition inadvertently or accidentally. The parties, their dealers, distributors and, indeed, their customers, are not living in a strange, non-commercial world where exclusive agreements are found under Christmas trees.

"But aside from the foregoing, the Supreme Court has held that whether an illegal provision of a contract is or is not enforced makes no difference if the contract gives the patentee, as here, the power to effect enforcement. See, for example, United Shoe Machinery Corp. v. United States, 1922, 258 U.S. 451, 458, 42 S. Ct. 363, 66 L. Ed. 708, and similar decisions. Certainly, if the law is to be changed in this respect, it should be altered by the Supreme Court and not by this tribunal."

Although we have said that non-enforcement *and* voluntary relinquishment of an illegal clause will overcome the defense of patent misuse,[3] we know of no case permitting an

[3] *Zajicek v. Koolvent Metal Awning Corp. of America*, 283 F.2d 127 (9th Cir. 1960).

infringement suit where the clause remains in effect but unenforced.

Appellant's reliance upon *Republic Molding Corp. v. B. W. Photo Utilities*, 319 F.2d 347 (9th Cir. 1963) is misplaced. There we were concerned with the plaintiff's disregard of the statute prohibiting falsely advertising "patent applied for" or "patent pending." We were unable to find any connection between the right asserted and the acts of misconduct, and held that the doctrine of "unclean hands" did not bar plaintiff's infringement suit. We recognized that patent misuse such as here involved must be "purged" under the *Morton Salt* case. The Supreme Court said at page 494 of the *Morton Salt* case:

> "It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, *regardless of whether the particular defendant has suffered from the misuse of the patent.*" (Emphasis added.)

In view of our conclusion that the district court was correct in granting summary judgment on the ground of patent misuse, we do not reach appellant's remaining specifications of error. The judgment of the district court is affirmed.